



# Chapter 8

# FINANCE & ADMINISTRATION

## HIGHLIGHTS

- Replace the state’s voice systems with a comprehensive, centralized IP-based solution to reduce costs and provide better service with projected savings of \$70,000,000 over ten years.
- Proceed with the CFG-recommended work station improvement effort with projected annual savings of \$4,200,000.
- Provide the governor with improved monthly reporting of financial status and operating performance at the department level.
- Continue growing LEAN process improvement efforts. Since the August 2011 launch, over 250 state employees have been trained and five LEAN improvement events have been completed or scheduled.
- Ensure timely and accurate closing of the state’s books and associated financial reporting requirements through better coordination with other agencies and improved F&A operations.

## INTRODUCTION

The Department of Finance and Administration (F&A) is home to several essential functions that support other state agencies in directly serving Tennessee citizens. The department has nine Divisions: Accounts, Administration, Benefits Administration, Budget, Enterprise Resource Planning (Edison), Office of Inspector General (OIG), Office for Information Resources (OIR), Resource Development and Support (RDS), and Shared Services.

The department’s mission is “[T]o provide financial and administrative services, in partnership with public and private agencies that enhance state government’s ability to be a good steward of Tennesseans’ tax dollars”. Discussions are underway to revise and re-focus the current mission in place since the mid 1990’s – such that the emphasis is more clearly directed toward a theme of “Good business. Great customer service.”

## APPROACH/METHODOLOGY

The Top to Bottom Review examined F&A's current mission, responsibilities and structure to identify improvement opportunities and recommend changes.

Very few limitations were placed on the scope of the review. A discussion of the impact of personnel policies was excluded because authority for those policies rests with the Department of Human Resources. Procurement policies were excluded because the state is in the early phases of implementing significant changes to the various procurement processes and infrastructure. Additionally, there is no discussion of physical locations of divisions or work units.

Interviews and small group discussions were conducted directly with the people having first-hand knowledge of F&A's current functions. Those who perform the tasks, manage the processes, or deliver the services are in the best position to provide information on:

- What we do and why we do it;
- What we might do better and how;
- What others might do better or more effectively than us, and why;
- Those things we should start doing; and
- Those things we could stop doing entirely.

## RECOMMENDATIONS

**Recommendation 1:** Coordinate and drive the state's Customer Focused Government initiative to improve the efficiency and effectiveness of state government for both external and internal customers.

**Discussion:** The purpose of the Customer Focused Government initiative is to continue to improve the efficiency and effectiveness of state government for both our external and internal customers. A team of commissioners and other executive level staff utilize input from all state agencies, best practices, and the customer to improve services by developing more proficient processes and encouraging an underlying culture of efficient and effective government. The

group looks at a variety of customer experiences that expand across a number of state agencies in order to understand how the state currently conducts business among its own agencies and with the external public, and to determine how we might improve those services to be streamlined, more effective, or economical.

**Recommendation 2:** Grow the use of LEAN process improvement tools and principles by state agencies as part of an effort to build an underlying culture that focuses on maximizing value to the customer.

**Discussion:** LEAN is a philosophy and set of tools which help employees and leadership streamline business processes to be more customer-focused. It is a proven methodology which a number of states and other governments have used to break through barriers and cut through bureaucracy. The department's Office of Consulting Services will support those agencies looking to adopt LEAN tools and principles by providing training and mentoring at no cost.

**Recommendation 3:** Provide the governor with improved monthly reporting of financial status and operating performance at the department level.

**Discussion:** These reports would not attempt to provide detailed, audited or fully-reconciled information for each department. Rather, the purpose would be to reflect a more global level of information (e.g., month-to-month trends) to encourage discussion of, and greater attention to fiscal performance at senior leadership levels.

**This recommendation has been completed.**





**Recommendation 4:** Continue to aggressively investigate and criminally prosecute individuals who commit fraud & abuse against the TennCare program.

**Discussion:** The budget for the TennCare program along with other related healthcare initiatives comprises a very substantial portion of the state's expenditures. In order to be good stewards of taxpayer dollars, the department will continue to investigate those individuals who are abusing TennCare.

**Recommendation 5:** Complete the assessment of the employee health clinic's impact on the employee health plan.

**Discussion:** The Division of Benefits Administration assumed responsibility for the state employee health clinic from the Department of Health in FY2010 and opted to fund the clinic while assessing the clinic's savings to the employee health plan. A review is underway to determine whether or not the clinic is a function that benefits the state insurance plan, and if so, to recommend how to improve the quality, efficiency and costs of its services.

**Recommendation 6:** Conduct a review of critical business processes to identify opportunities to eliminate unnecessary activities, approvals, reports, and information requests.

**Discussion:** The department has a number of responsibilities, processes and assigned activities

where the activity or work product are seldom used, may not be necessary, or should be reviewed and re-evaluated. The use of LEAN Principles would reduce business process complexity and improve processing quality and timeliness within current staffing constraints.

**Recommendation 7:** Expand the use of Service Level Agreements with customer agencies for selected key business processes.

**Discussion:** Provide more efficient delivery of products and services and help eliminate redundant and unnecessary steps by clarifying and documenting the shared expectations and performance responsibilities. A phased-in approach is suggested to better address challenges associated with monitoring results and ensuring compliance.

**Recommendation 8:** Continue the current efforts to review the process for establishing and using "reversion targets" when developing and proposing budgets.

**Discussion:** The current approach makes over-appropriation virtually "mandated rather than anticipated" and changes should be considered where warranted.

**Recommendation 9:** Evaluate the current Performance-Based Budget information and its process.

**Discussion:** Although well-intentioned, the effort to produce the annual Performance-Based Budget is very resource-intensive for the Budget Division and agency staffs. The process includes relatively arbitrary rules and requirements and is not seen as a meaningful exercise. The review and assessment should seek to determine the information that is most meaningful for key stakeholders and that compliments the Governor's Budget Recommendation.

**Recommendation 10:** Replace the state's voice systems with a comprehensive centralized IPT-based solution.

**Discussion:** The IPT project will replace Tennessee's aging analog telephony infrastructure

with a modern IP system as the first step in moving to a unified communications and collaboration network. The effort is projected to deliver cost savings and operational efficiencies of \$70,000,000 over the next ten years. Pilot implementation for the IPT project has already begun in the Nashville metro area, and planning is underway to expand this project across the state. It is projected that the full implementation will take two to three years to complete.

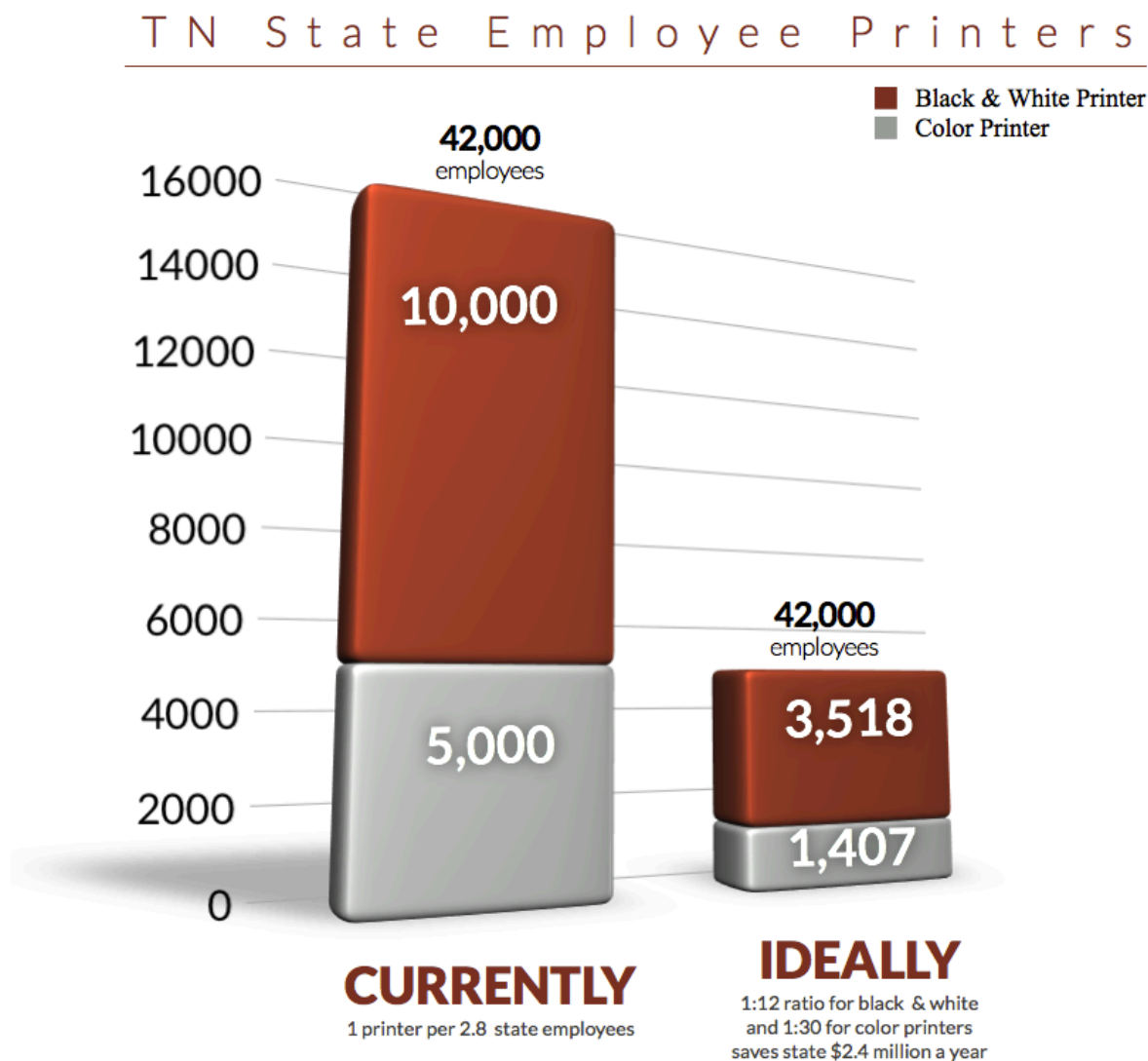
**Recommendation 11:** Proceed with the Customer Focused Government recommendation to consolidate hardware and software procurement.

**Discussion:** This effort will involve the consolidation and standardization of procurement of workstation hardware (i.e., laptops, desktops, and

printers) and office automation software across the executive branch. It is projected to have an annual savings of \$4,200,000.

**Recommendation 12:** Study the ability to permit state employees to use approved personal phones as work phones.

**Discussion:** The state currently provides over 2200 BlackBerry devices for state employees’ use with an annual cost of approximately \$1,000,000. With the implementation of the new email system it becomes possible to allow selected employees an option to connect approved personal phones to the state's email and calendaring systems. A cost/benefit analysis would be necessary to determine potential savings to the state.



**Recommendation 13:** Move responsibility for certifying applicants for Job Tax Credit from F&A to Revenue.

**Discussion:** The department has neither the access to the various state agencies' client databases (i.e., persons with disabilities that are being served by the state), nor the knowledge of the funding capability of these agencies' programs – both of which are necessary to verify eligibility requirements. Thus, there is no obvious manner for F&A to 'certify' the applicants. Inquiries and applications from businesses seeking the tax credit have been minimal despite F&A's re-launch and re-publicizing of program in 2008.

**Recommendation 14:** Explore appropriate long-term mechanism for provision of small agency IT support.

**Discussion:** As with larger agencies, IT is "mission critical" for the many smaller agencies, boards and commissions in state government – and within the Executive Branch in particular. The increasing complexity of IT and limited (or absence of) on-site IT support means the day-to-day operations of these smaller entities are at risk.

**Recommendation 15:** Transfer Real Property Administration to Property Services Management in the Department of General Services.

**Discussion:** The Division of Real Property Administration and the Department of General Services' Property Service Management Division share responsibilities for the property management and asset-related functions of the state's real estate properties. Combining these two areas provides significant opportunities to streamline business processes, eliminate duplications, and improve both customer service and operating efficiencies. This recommendation has been completed.

**This recommendation has been completed.**

**Recommendation 16:** Conduct a review of the Executive branch's financial business processes to identify opportunities for greater standardization and centralization within the department's Division of Accounts, and form a pilot study with selected agencies.

**Discussion:** State agencies operate with a range of business processes and models, often by necessity or legislative mandate. As a result, the state may not realize all the benefits of its investment in its Enterprise Resource Planning solutions (i.e., Edison) without capitalizing on existing opportunities for greater standardization and documentation of selected key processes across agencies. Improved standardization and consistency will support the state's ability to meet filing and closing requirements.

**This recommendation has been completed.**

**Recommendation 17:** Establish a dedicated IT work unit to support the state's efforts in developing and implementing critical IT systems and services.

**Discussion:** There is a need to be more responsive to agency requests for assistance and guidance on large IT systems, especially given the constraints faced by agencies in supporting the costs of having their own in-house resources. Because of the ever-increasing complexity of technology and the difficulty of large scale change management, the importance of providing a central resource of support and expertise to agency IT groups will become even more vital. The creation of a centralized Business Solutions Delivery unit will help deliver large IT projects on-time and on-budget across departments.

**This recommendation has been completed.**